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TO RHMFIUU/DEPT OF ENERGY WASHINGTON DC IMMEDIATE
RUEHC/SECSTATE WASHDC IMMEDIATE 3351
INFO RUEHOO/CHINA POSTS COLLECTIVE IMMEDIATE
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RUEHIL/AMEMBASSY ISLAMABAD IMMEDIATE 6494
RUEHKL/AMEMBASSY KUALA LUMPUR IMMEDIATE 2416
RUEHMO/AMEMBASSY MOSCOW IMMEDIATE 8510
RUEHNE/AMEMBASSY NEW DELHI IMMEDIATE 4258
RUEHNY/AMEMBASSY OSLO IMMEDIATE 0854
RUEHUNV/USMISSION UNVIE VIENNA IMMEDIATE 1136

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DEPT FOR EAP/CM AND EB/ESC SIMONS
DOE OIC FOR PUMPHREY, OEA FOR CUTLER

E.O. 12958: N/A

TAGS: ECON EINV ETTC ENRG EPET PREL IR CH

SUBJECT: CHINA/ENERGY: EMBASSY OBJECTS TO CNOOC ON REPORTED
USD 16 BILLION DEAL TO DEVELOP IRAN'S NORTHERN PARS GAS
FIELD

REF: A. SECSTATE 194960
1B. EIGHMIE-LUKE 12/20/06 E-MAIL

¶1. (SBU) Reuters reported on December 20 that the China National Overseas Oil Corporation (CNOOC) and Iran reached agreement to develop Iran's northern Pars gas field and build liquefied natural gas. The Department asked us to confirm with CNOOC if the report was accurate (ref. B). While CNOOC's initial responses were ambivalent, continual press reports indicated that an agreement was likely.

¶2. (SBU) Consistent with earlier guidance (ref. A), we delivered on December 21 talking points from ref. A (see paragraph 4) to CNOOC's External Affairs Division Department Program Officer Lu Xiaofeng, in order to put CNOOC on notice of the United States' position on energy deals with Iran.

¶3. (SBU) While Lu said that he would provide an official CNOOC response, so far, no response has been forthcoming. We will deliver tomorrow similar talking points to the Iran Division, West Asia and North African Department of the Ministry of Foreign Affairs.

¶4. (SBU) Talking points delivered to CNOOC on December 21:

-- Press reports indicate that an agreement between CNOOC and Iran for development of the Pars gas field may be struck.

-- The United States continues to have deep concerns about Iranian policies and actions, in particular, at this time, Iran's nuclear activities, which we believe are aimed at establishing a nuclear weapons capability.

-- As we have indicated in the past, in light of Iran's policies and actions, we have long opposed investment in Iran's oil and gas sector, and United States law, with provisions that were recently reauthorized by Congress, provides for sanctions for certain such investments.

-- Iran has failed to comply with UN Security Council resolution 1696, which calls on Iran to suspend enrichment-related and reprocessing activities and to cooperate fully with the IAEA. As a result, as you know,

discussions are underway in New York on a Chapter VII sanctions resolution.

-- This is therefore a particularly unfortunate time to be entering into agreements for energy projects in Iran.

-- Doing so, in addition to raising ongoing United States, concerns about energy-sector investment, sends precisely the wrong signal to Iran by suggesting that business-as-usual is appropriate, and that notwithstanding Iran's obduracy, new deals involving its energy resources are of paramount importance.

-- We hope CNOOC will reconsider any plans to move forward on concluding an agreement with Iran on the Pars gas field particularly at this sensitive time.

15. (SBU) Although we have not received an official response from CNOOC, Chinese press have also reported on the Iran-CNOOC oil deal. Embassy will provide CNOOC's official response as soon as it is received.

SEDNEY